

Using Medical Evidence to Design Pharmacy Benefits Improving Care and Bending the Cost Curve

- **Cost growth remains the principle focus of health reform discussions among employers**
- **Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value prescription drugs**
- **Slowdown in healthcare costs may have negative health implications**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

Motivation for “Clinically Nuanced” Benefit Design

- **Ideally consumer cost-sharing levels would be set to encourage clinically appropriate use**
- **“One-size-fits-all” cost-sharing fails to acknowledge the differences in clinical value among prescription drugs**
- **Consumer cost sharing is increasing**

“I can’t believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.”

Barbara Fendrick (my mother)

Impact of Increases in Consumer Cost-Sharing on Health Care Utilization

A growing body of evidence concludes that increases in consumer cost-sharing leads to a reduction in the use of essential services, worsens health disparities, and in some cases leads to greater overall costs

Goldman D. *JAMA*. 2007;298(1):61–9. Trivedi A. *NEJM*. 2008;358:375–81. Chirba M. *JAMA*. 2010;362(4):320–8. Cherner M. *J Gen Intern Med* 23(8):1131–6.

The New York Times

Business D

WORLD U.S. N.Y. / REGION BUSINESS TECHNOLOGY SCIENCE HEALTH

Search Global DealBook Markets Econom

ECONOMIC VIEW

When a Co-Pay Gets in the Way of Health

By SENDHIL MULLAINATHAN
Published: August 10, 2013

ECONOMISTS specialize in pointing out unpleasant trade-offs — a skill that is on full display in the health care debate.

[Enlarge This Image](#)



We want patients to receive the best care available. We also want consumers to pay less. And we don't want to bankrupt the government or private insurers. Something must give.

The debate centers on how to make these trade-offs, and who gets to make them. The stakes are high, and the choices are at times unseemly. No matter how necessary, putting human suffering into dollars and cents is not attractive work. It's no surprise, then, that the conversation is so heated.

What is a surprise is that amid these complex issues, one policy...

Minh Uong/The New York Times

Solutions Are Needed to Enhance Efficiency

- **Targeted solutions are necessary to better allocate health expenditures on the clinical benefit - not the price or profitability – of services**

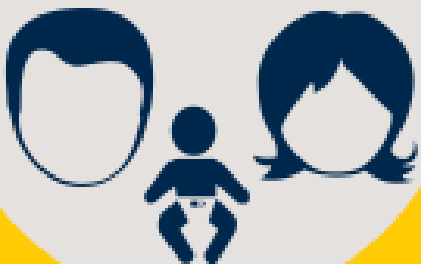
A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

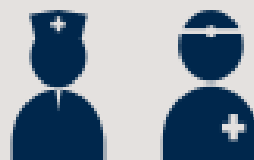


2. Clinical benefits from a specific service depend on:

Who
receives it



Who
provides it



Where
it's provided



Using Medical Evidence to Design Benefits Value-Based Insurance Design

- **Sets consumer cost-sharing level on clinical benefit not acquisition price of the service**
 - Reduce or eliminate financial barriers to high-value clinical services
- **Successfully implemented by hundreds of public and private payers**
- **Accumulating evidence**
- **Broad multi-stakeholder and bipartisan political support**



June 16, 2004

FOLLOW THE MONEY

**From 'One Size Fits All'
To Tailored Co-Payments**

June 16, 2004

University of Michigan researchers say a patient's drug should depend on how much he or she would pay that would likely lower

Putting Innovation into Action: Create Broad Multi-Stakeholder Support

- **HHS**
- **CBO**
- **SEIU**
- **MedPAC**
- **Brookings Institution**
- **The Commonwealth Fund**
- **NBCH**
- **PCPCC**
- **Partnership for Sustainable Health Care**
- **Families USA**
- **AHIP**
- **National Governor's Assoc.**
- **US Chamber of Commerce**
- **Bipartisan Policy Center**
- **Kaiser Family Foundation**
- **NBGH**
- **National Coalition on Health Care**
- **Urban Institute**
- **RWJF**
- **IOM**
- **PhRMA**
- **AARP**



Putting Innovation into Action: Translating Research into Policy

- **Patient Protection and Affordable Care Act**
- **Medicare**
- **State Health Reform**
- **HSA-qualified HDHPs**



HSA-qualified HDHPs: Too Much “Skin in the Game”?

- **More than 25% of employers offer HDHPs**
- **85% of enrollees in the individual marketplace purchased either silver or bronze HDHP plans**
- **Higher out-of-pocket costs hinder the use of evidence-based drugs (even when exempt from the deductible)**
- **HDHP enrollees with chronic diseases are more likely to go without care due to cost or experienced financial hardship due to medical bills**

Barriers to V-BID in HSA-qualified HDHPs

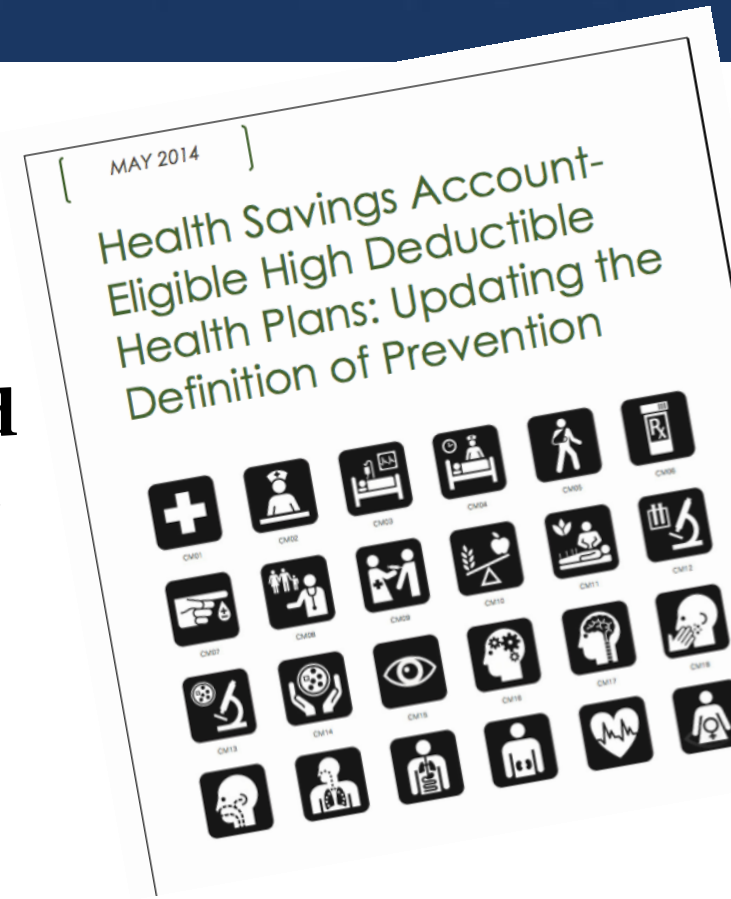
- IRS guidance specifically exclude services meant to treat **“an existing illness, injury or condition”** from the definition of preventive care
- Many well-established quality metrics require the entire deductible to be met before coverage begins
- 90% of employers support expanding deductible-exempt definition to include chronic disease care



V-BID HDHP Hybrid with “Smarter Deductibles”: High Value Health Plan

HVHP allows evidence-based, services that manage chronic disease to be deductible-exempt:

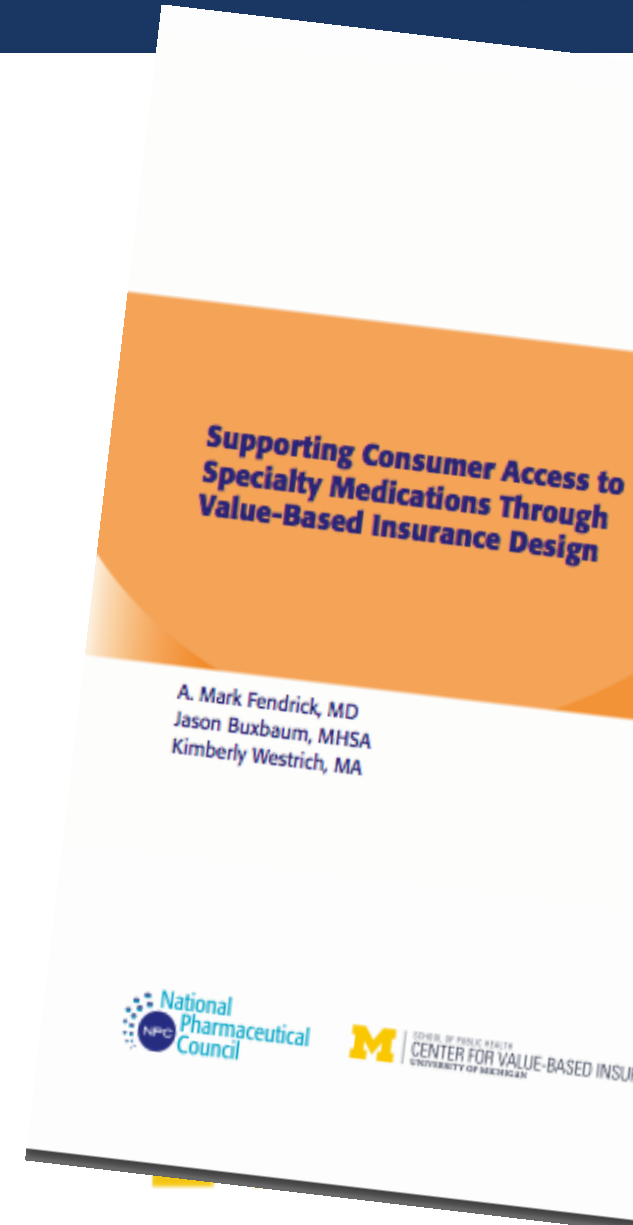
- **Lower premiums than PPOs and HMOs; slight premium increase over existing HDHPs**
- **>40 million likely enrollees**
- **Vehicle to avoid “Cadillac tax”**
- **Substantially lower aggregate healthcare expenditures on a population level**



Applying V-BID to Specialty Medications

- **Impose no more than modest cost-sharing on high-value services**
- **Reduce cost-sharing in accordance with patient- or disease-specific characteristics**
- **Relieve patients from high cost-sharing after failure on a different medication**
- **Use cost-sharing to encourage patients to select high-performing providers and settings**

Fendrick et al. Center for Value Based Insurance Design.
<http://bit.ly/1kMP2cq>



Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

- **Many “supply side” initiatives are restructuring provider incentives to move from volume to value**



Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

- **“Supply side” initiatives are restructuring provider incentives to move from volume to value**
- **Unfortunately, “demand-side” initiatives are moving consumers in the opposite direction**



Using Clinical Nuance to Align Payer and Consumer Incentives: As Easy as Peanut Butter and Jelly

- **“Supply side” initiatives are restructuring provider incentives to move from volume to value**
- **Unfortunately, “demand-side” initiatives are moving consumers in the opposite direction**
- **Adding clinical nuance can improve quality of care, enhance employee experience, and contain cost growth**



Discussion

www.vbidcenter.org

@um_vbid

vbidcenter@umich.edu